

Minutes of the
Board of Water and Natural Resources Meeting

Conducted via the
Digital Dakota Network
on
September 25, 2008

S.D. School of Mines & Technology
Rapid City, SD

South Dakota Public Universities and Research Center
Sioux Falls, SD

State Capitol Building
Pierre, SD

South Dakota State University
Brookings, SD

and at
East Dakota Water Development District Office
Brookings, SD

on
September 26, 2008

SEPTEMBER 25, 2008 – 9:30 A.M. CDT – VIA DIGITAL DAKOTA NETWORK

CALL MEETING TO ORDER: The meeting was called to order by Chairman Brad Johnson. A quorum was present.

BOARD MEMBERS PRESENT: Brad Johnson, Dale Kennedy, Kelly Wheeler, Don Rounds, and Gene Jones, Jr.

BOARD MEMBERS ABSENT: Don Bollweg and John Loucks.

OTHERS PRESENT: See attached attendance sheets.

APPROVE AGENDA: Jim Feeney noted that a Lewis and Clark SWRMS grant amendment and a discussion on Guaranteed Investment Contracts were added to the agenda.

Chairman Johnson approved the amended agenda.

APPROVE MINUTES OF JUNE 26-27, 2008 AND AUGUST 1, 2008, MEETINGS: Motion by Jones, seconded by Rounds, to approve the minutes from the June 26-27, 2008, Board of Water and Natural Resources meeting and to approve the minutes from the August 1, 2008,

Board of Water and Natural Resources Telephone Conference Call meeting. A roll call vote was taken, and the motion carried unanimously.

SOUTHERN BLACK HILLS WATER SYSTEM SWRMS AGREEMENT: Mr. Feeney reported that Southern Black Hills Water System was placed on the State Water Resources Management Plan (SWRMS) component of the State Water Plan in 2006. To date the state has provided \$900,000 for Southern Black Hills Water System development activities.

The 2008 legislature appropriated \$750,000 in grant assistance for the engineering design, preconstruction activities, and construction of the Southern Black Hills Water system. The legislation authorized the state grant to the local project sponsors subject to the terms and conditions established by the board.

The department received a letter of application from the Southern Black Hills Water System, Inc. requesting that the board place the \$750,000 of 2008 funding under agreement to cost-share engineering, development, and coordination activities, engineering design, and construction activities. To place the funding under agreement, an amendment to the 2007 agreement was prepared with assistance from the Office of the Attorney General.

The staff recommended approval of the grant amendment.

Bob Peplinski, Southern Black Hills Water System, discussed the project and requested approval of funding.

Motion by Wheeler, seconded by Kennedy, to adopt Resolution #2008-71 approving the first amendment to the South Dakota Water and Environment Fund grant agreement between the state and Southern Black Hills Water System, Inc., for an additional grant of \$750,000 and extending the term of the grant to June 30, 2012. A roll call vote was taken, and the motion carried unanimously.

LEWIS AND CLARK SWRMS AGREEMENT: Mr. Feeney reported that in March 2008, the board took action to place \$6,400,000 in grant funding under agreement with the Lewis and Clark Regional Water System.

Staff recommended that section 7 of the grant agreement be amended to clarify costs eligible for reimbursement. The amendment will clarify that all expenditures for the project features in South Dakota that were identified in its feasibility study report in 1993 that was submitted to Congress and that qualify as cost reimbursement under the federal authorization for Lewis and Clark are eligible for reimbursement under this grant, and costs incurred prior to the start date of the grant agreement are eligible for reimbursement. All other terms and conditions in the grant agreement are still in effect.

Motion by Kennedy, seconded by Jones, to adopt Resolution #2008-72 approving the first amendment to the South Dakota Water and Environment Fund grant agreement between the state and Lewis and Clark Rural Water System amending Section 7 of the grant agreement to clarify costs eligible for reimbursement. A roll call vote was taken, and the motion carried unanimously.

STATE WATER PLAN AMENDMENT APPLICATIONS: Water projects which will require state funding or need state support for grant or loan funding must be included on the State Water Facilities Plan (facilities plan). The Board of Water and Natural Resources annually approves projects for placement on the facilities plan and provides for quarterly amendment of projects onto the facilities plan.

Placement of a project on the State Water Facilities Plan provides no guarantee of funding. The projects approved for amendment onto the 2008 State Water Facilities Plan remain on the plan through December 2009.

Mike Perkovich presented the applications and staff recommendations.

The city of Pierre requested amendment onto the 2008 facilities plan for a landfill slide remediation project. Staff recommended amending the project onto the facilities plan.

The city of Watertown requested amendment onto the 2008 facilities plan for a wastewater treatment facility headworks project. Staff recommended amending the project onto the facilities plan.

Motion by Jones, seconded by Wheeler, to amend the two projects onto the 2008 State Water Facilities Plan. A roll call vote was taken, and the motion carried unanimously.

AMEND FFY 2008 CLEAN WATER INTENDED USE PLAN (IUP): Mike Perkovich reported that the FFY 2008 Clean Water IUP was approved by the board in November 2007 and amended in March and June 2008.

The department proposed the following amendments to Attachment I – Project Priority List:

Priority Points	Loan Recipient	Project Description	Est. Loan Amount	Expected Loan Rate & Term
18	Watertown	Replace the main lift station and the preliminary treatment facilities at the wastewater treatment facility and construct various management practices along a section of the Big Sioux River north of Watertown	\$9,207,400	2.25%, 20 yrs (Watershed Incentive Rate)
14	Pierre	Stabilize slide areas and improve drainage at an old, pre-Subtitle D landfill.	\$976,950	3.25%, 20 yrs

Motion by Kennedy, seconded by Jones, to amend the FFY 2008 Clean Water Intended Use Plan as presented. A roll call vote was taken, and the motion carried unanimously.

STATE REVOLVING FUND PROGRAMS: Mr. Feeney reported that \$4,607,995 was available for Drinking Water SRF loans and \$12,345,951 was available for Clean Water SRF loans.

HARRISBURG DRINKING WATER SRF APPLICATION: Eric Meintsma reported that the city applied for a Drinking Water SRF loan to construct a one million-gallon water tower, demolish an existing standpipe and an abandoned 30,000-gallon water tower, install miscellaneous piping, and appurtenances. The city has been experiencing operation and maintenance problems with the standpipe storage tank and determined that a new tower to replace the standpipe was the best option.

Elayne Lande stated that the city requested approval of a \$2,090,000 Drinking Water SRF loan at 3.25% interest for 20 years.

The city has received a \$300,000 Consolidated grant for the project.

The city is pledging water revenues toward repayment of the loan. Debt coverage after project completion is estimated to be 142%, which exceeds the 110% requirement.

Staff recommended approval of the loan contingent upon the resolution authorizing the sale of the bonds being passed, published, and becoming effective, and contingent upon completion of the capacity assessment report.

Motion by Rounds, seconded by Wheeler, to adopt Resolution #2008-73 approving the Drinking Water State Revolving Fund loan up to a maximum commitment amount of \$2,090,000 at 3.25% interest for a term of 20 years to the city of Harrisburg to construct a one million-gallon water tower, demolish the existing standpipe and abandoned 30,000-gallon water tower, install miscellaneous piping, and appurtenances; and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust. The loan is contingent upon the resolution authorizing the sale of the bond being passed, published, and becoming effective, and contingent upon completion of the capacity assessment report. A roll call vote was taken, and the motion carried. Jones abstained from voting.

PIERRE CLEAN WATER SRF LOAN APPLICATION: Mike Perkovich reported that the city applied for a Clean Water SRF loan to finance a remediation project at an old landfill that was operated by the city. The old landfill was closed prior to Subtitle D regulations, and landslides at the site have resulted in garbage being exposed. The project will stabilize the slide areas, cover the exposed garbage, and improve drainage through the area.

Dave Ruhnke stated that the city applied for a \$976,953 loan at 3.25% interest for 20 years. The city is pledging sales tax revenues toward repayment of the loan. Debt coverage after project completion is estimated to be 644%, which exceeds the 120% requirement.

Staff recommended approval of the loan contingent upon the resolution authorizing the sale of the bond being passed, published, and becoming effective.

Motion by Kennedy, seconded by Wheeler, to adopt Resolution #2008-74 approving the Clean Water State Revolving Fund loan up to a maximum commitment amount of \$976,953 at 3.25% interest for a term of 20 years to the city of Pierre for a remediation project at an old landfill that was operated by the city, and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust. The loan is contingent upon the resolution authorizing the sale of the bond being passed, published, and becoming effective. A roll call vote was taken, and the motion carried unanimously.

DELL RAPIDS CLEAN WATER SRF LOAN APPLICATION: Gayleen Lowe reported that Dell Rapids applied for a Clean Water SRF loan for the construction of a main sewage lift station, sewer force main, and gravity sewer to replace existing facilities. The existing main lift station was constructed in the 1930s and modified in 1974. It pumps the community's wastewater from the southwest corner of town to the wastewater lagoons.

The project will involve the construction of a triplex, submersible-style lift station and installation of about 1.1 miles of 12-inch PVC force main and 700 feet of 12- and 15-inch gravity sewer.

Dave Ruhnke stated that the city applied for a \$950,000 loan at 3.25% interest for 20 years. The city has pledged wastewater revenues toward repayment of the loan. Debt coverage after project completion is estimated to be 112%, which exceeds the 110% requirement.

The city received a \$200,000 Consolidated grant for this project.

Staff recommended approval of the loan contingent upon the resolution authorizing the sale of the bond being passed, published, and becoming effective, and contingent upon the environmental review process being completed.

Motion by Wheeler, seconded by Rounds, to adopt Resolution #2008-75 approving the Clean Water State Revolving Fund loan up to a maximum commitment amount of \$950,000 at 3.25% interest for a term of 20 years to the city of Dell Rapids for main lift station improvements, and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust. The loan is contingent upon the resolution authorizing the sale of the bond being passed, published, and becoming effective, and contingent upon the environmental review process being completed. A roll call vote was taken, and the motion carried unanimously.

MARION CLEAN WATER SRF LOAN APPLICATION: Jim Anderson reported that Marion applied for a Clean Water SRF loan to replace clay and PVC sanitary sewer lines and a sanitary trunk sewer in the north and northeast sections of the city. A new lift station and sewer lines will

be constructed in Marion's industrial park, which is located in the northwest area of town. The existing sewage lines must be replaced due to deterioration, poorly inserted sewer services, and pitted manholes. The trunk line will be lowered providing more slope to the sewers that will be replaced, therefore, improving the flow characteristics. The new lift station will allow the city to extend its sewer system to the west side of the industrial park and to the southwest area of town.

Elayne Lande reported that the city applied for a \$1,710,000 loan at 3.50% interest for 30 years. The city has pledged wastewater revenues toward repayment of the loan. Debt coverage after project completion is estimated to be 114%, which exceeds the 110% requirement.

The city has received a \$200,000 Consolidated grant and a \$300,000 Clean Water SRF Water Quality Grant for this project. The city has also pledged \$100,000 in local cash for the project.

Staff recommended approval of the loan contingent upon city's bond resolution being passed, published, and becoming effective, and contingent upon environmental review process being completed.

Motion by Jones, seconded by Wheeler, to adopt Resolution #2008-76 approving the Clean Water State Revolving Fund loan up to a maximum commitment amount of \$1,710,000 at 3.50% interest for a term of 30 years to the city of Marion for sanitary sewer improvements, and authorizing the execution of the loan agreement, the acceptance of the Local Obligation, the assignment of the Local Obligation to the Trustee, and the execution and delivery of such other documents and the performance of all acts necessary to effectuate the loan approved in accordance with all terms as set forth in the Indenture of Trust. The loan is contingent upon the city's bond resolution being passed, published, and becoming effective and contingent upon the environmental review process being completed. A roll call vote was taken, and the motion carried unanimously.

SOLID WASTE MANAGEMENT PROGRAM APPLICATIONS: Mr. Feeney reported that a minimum of \$532,500 was available for recycling and a maximum of \$453,940 was available for solid waste under the Solid Waste Management Program, and \$1,025,846 was available for regional landfill assistance. By administrative rule, the board is required to wait at least 12 hours, but can take up to 120 days, after being presented with the grant applications to make funding decisions. The board made funding decisions the following day.

The city of Pierre requested a \$582,303 grant and a \$304,114 loan for regional landfill construction/expansion. The estimated total project cost is \$1,350,000.

The city is providing local cash in the amount of \$465,843 for the project. City sales tax revenue is being pledged for repayment of the loan.

Staff recommended approval of Regional Landfill Assistance grant up to \$582,303 and a \$304,114 Regional Landfill Assistance loan at 2.50% for seven years.

The Rapid City Area School District requested a \$43,762.75 grant for a recycling program. The estimated total project cost is \$43,762.75.

Staff recommended approval of a grant up to \$25,400 on an estimated total project cost of \$31,750.

Ron Minks and Donna Robinson, Rapid City area schools, discussed the project and requested approval of funding.

CONSOLIDATED WATER FACILITIES CONSTRUCTION PROGRAM FUNDING

APPLICATION: Jim Feeney reported that one Consolidated application was received for the September funding round.

Provo Township received a grant \$200,000 consolidated grant in 2005 to rehabilitate its existing water storage and distribution system. The grant expired on September 23, 2008. No funds have been drawn from this grant. Provo is now reapplying for the \$200,000 in grant funding.

The estimated total project cost is \$502,218.

Provo has secured a \$248,218 CDBG grant and will use \$18,000 in local cash to complete the funding package.

Staff recommended awarding a grant up to \$200,000 contingent upon the grant recipient submitting no requests under its previous consolidated grant (#2006G-304), which expired pursuant to its terms on September 23, 2008.

Mr. Feeney noted that the department received letters of support for the project from Susan Henderson, Georgene LeBar, and Tom and Peggy Porter.

Mr. Feeney stated that the department also received information from Cindy Brunson.

Bill Lass, Black Hills Council of Governments, Keith Anderson, engineer, Herb Plant, president of Provo Township board, and Joe Falkenburg, chairman of the Fall River County Commission, spoke in support of funding for the project.

Cindy Brunson, Igloo, spoke in opposition to providing funding for the project.

Mr. Feeney answered questions from the board regarding the funding package.

The administrative rules require the board to wait a minimum of 12 hours from the time new funding applications are presented before making funding decisions. The board acted on the funding request the following morning.

STATE REVOLVING FUND PROGRAMS SFY 2007 REPORT TO THE LEGISLATIVE BOND REVIEW COMMITTEE:

Mr. Feeney reported that the Board of Water and Natural Resources, in its capacity as the governing board of the South Dakota Conservancy District, is required to present a report to the Legislature's Interim Bonding Review Committee at its meeting in November. A combined report for both SRF programs for the legislative committee's review was developed for this purpose. Information in this report presents program activity and

financial statements on a state fiscal year basis and contains additional information on the District's bond issues.

Mr. Feeney presented the report and requested board approval for distribution of the report to the Legislative Bonding Review Committee. He noted that the Clean Water SRF and Drinking Water SRF annual reports to EPA will be presented to the board for review and approval at its January 2009 meeting.

Motion by Rounds, seconded by Wheeler, to approve the report and authorize staff to distribute it to the Legislative Bonding Review Committee. A roll call vote was taken, and the motion carried unanimously.

ELECTION OF OFFICERS: Motion by Kennedy, seconded by Wheeler, that the slate of officers remain the same for another year – Brad Johnson, Chairman, Gene Jones, Vice Chairman, and Don Rounds, secretary. A roll call vote was taken, and the motion carried unanimously.

GUARANTEED INVESTMENT CONTRACTS: At the June meeting, Mike Perkovich provided an update on the Guaranteed Investment Contract for the 2008 State Revolving Fund Bond Issue. The board has two GICs with MBIA – one from the 1996 bond issue and one from the 2008 bond issue. The investment agreements provide that if the entity holding the investment is downgraded to a certain level, then certain things happen. MBIA was downgraded.

The 1996 agreement was collateralized. Staff has been working with the financial team to reassign the 2008 agreement, but were unable to complete the assignments, so now documents are now being reviewed to collateralize that agreement.

The board currently has approximately \$47,000,000 invested with AIG under agreements pursuant to the 2004 and 2005 bond issues. AIG has also been downgraded. AIG contacted the department through PFM, and the preference was to take that money back. Then \$85 billion was provided to back up AIG by the federal government, and at the current time the preference is to collateralize the agreements.

Mr. Feeney requested that the board pass a motion to ratify the steps staff has taken to collateralize the AIG and MBIA Guaranteed Investment Contracts and to authorize the staff to proceed as needed to complete the collateralizations.

Mr. Feeney answered questions from the board.

Motion by Wheeler, seconded by Kennedy, to ratify the steps taken by staff to date to collateralize the AIG and MBIA Guaranteed Investment Contracts and to authorize the staff to proceed as needed to complete the collateralizations. A roll call vote was taken, and the motion carried unanimously.

TOURS: The board toured the Big Sioux Community Water System facility and a riparian area management project at Egan, Lake Campbell for a discussion of the Dakota Water Watch volunteer water quality monitoring program, and permitted swine and dairy facilities near Volga.

RECESS: Chairman Johnson declared a recess until the following morning.

SEPTEMBER 26, 2008, 8:15 A.M. CDT – EAST DAKOTA WDD OFFICE, BROOKINGS

CALL TO ORDER: Chairman Johnson called the meeting back to order. A quorum was present.

CONSOLIDATED FUNDING DECISION: Mr. Feeney reviewed the consolidated grant application and the staff recommendation for funding.

Motion by Kennedy, seconded by Wheeler, to adopt Resolution #2008-77 approving the South Dakota Consolidated Water Facilities Construction Program grant agreement between the state and Provo Township for a grant up to 40.0% of approved total project costs and not exceeding \$200,000 for a water storage and distribution system rehabilitation project. A roll call vote was taken, and the motion carried unanimously.

SOLID WASTE MANAGEMENT PROGRAM FUNDING DECISIONS: Mr. Feeney reviewed the Solid Waste Management Program applications and funding recommendations.

Motion by Jones, seconded by Rounds, to adopt Resolution #2008-78 approving the South Dakota Regional Landfill Assistance grant agreement between the state and the city of Pierre for a grant up to 43.1% of approved total project costs and not exceeding \$582,303 and to adopt Resolution #2008-79 approving the South Dakota Regional Landfill Assistance loan agreement between the state and the city of Pierre for a loan in an amount not exceeding \$304,114 at 2.50% interest for seven years for a regional landfill construction/expansion project. A roll call vote was taken, and the motion carried unanimously.

Motion by Rounds, seconded by Jones to adopt Resolution #2008-80 approving the South Dakota Solid Waste Management Program grant agreement between the state and the Rapid City Area School District 51/4 for a grant up to 80.0% of approved total project costs and not exceeding \$25,400 for a recycling program. A roll call vote was taken, and the motion carried unanimously.

PRESENTATIONS: The following presentations were provided to the board:

Regional Water System Research Consortium, Overview of activities – Delvin DeBoer

Water Resources Institute, Phosphorus runoff from winter application – Dave German

Plant Science/Extension, Deep tillage and phosphorus – Gregg Carlson

SD Lakes and Streams –Gerald Myers

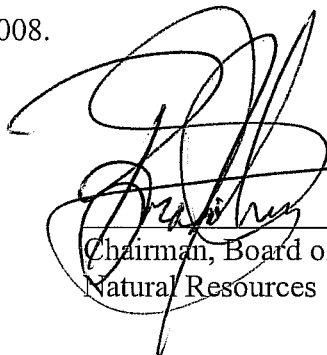
Interlakes Water Quality Committee regarding proposed water project district – Robert Todd and Rolly Samp

OTHER BUSINESS: The next Board of Water and Natural Resources meeting is November 6, 2008, in Pierre.

ADJOURN: Chairman Johnson declared the meeting adjourned.

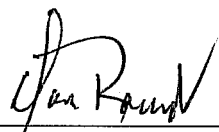
Approved this 7th day of November, 2008.

(SEAL)



Chairman, Board of Water and
Natural Resources

ATTEST:



Secretary, Board of Water and
Natural Resources

ATTENDANCE SHEET
BOARD OF WATER AND NATURAL RESOURCES MEETING

CONDUCTED VIA THE DIGITAL DAKOTA NETWORK

SEPTEMBER 25, 2008

S.D. SCHOOL OF MINES & TECHNOLOGY
RAPID CITY, SD

NAME (PLEASE PRINT)

ADDRESS

REPRESENTING

GEORGE VANSO

SPARTAN

SD RURAL H2O

BOB PEPLINSKY

PRINGLE SD P.O. BOX 96

SBH/W

KEN PORSE

Bismarck, ND

SBH / BARTHOLOMEW WEST

John Beard

Rapid City

SBH. Water

Don Peterson

Hot Springs

SBH/B&L

Cindy Brunson

Igloo

self water at Provo

Don Kraus

CUSTER

SBH WATER

Donna Robinson

Rapid City

RCAS

Bill Lass

Rapid City

B.H.C.O.G.

Velva Plant

Provo S.D.

Herb Plant

" "

Keith Andersen

Edgemont, SD

Provo

Susan Henderson

Box 731 Edgemont SD

Provo Township water

Lyle Rothleutner

10911 Harney Rd Edgemont SD

Provo township

Kallas Keller

29303 Edmond Rd. Provo

Provo Township

Shelie Kela

PROVO

DONALD E. JACOBS

10903 HARNEY RD EDEDMONT SD

57735

Ron Yack

Rapid City

Rapid City Schools

ATTENDANCE SHEET
BOARD OF WATER AND NATURAL RESOURCES MEETING

CONDUCTED VIA THE DIGITAL DAKOTA NETWORK

SEPTEMBER 25, 2008

BROOKINGS
SOUTH DAKOTA STATE UNIVERSITY

NAME (PLEASE PRINT)

ADDRESS

REPRESENTING

James Feeney

Pierre

DENR

Jay Gilbertson

Brookings

East Dakota WDD

Pete Jahraus

Pierre

DENR

Nate Kennedy

Brookings

BWNR

Ken Whalen

Custer

BLWR

Don Johnson

Watertown

BWNR

Don Rounds

PIERRE

BWNR

Gene Jones Jr.

Sioux Falls

BWNR

David German

Brookings

Water Resources Inst.

Pat Cerny

Becke

So Central Wt. Res. Dist

Jerry Siegel

Brookings

EDWARD Bond

CONDUCTED VIA THE DIGITAL DAKOTA NETWORK

PIERRE
CAPITOL BUILDING

REPRESENTING

Mike Perkovich	DENR Pierre	DENR
Dave Ruhnke	Pierre	DENR
Jim Anderson	Pierre	DENR
Eric Meintsma	Pierre	DENR
Gayleen Lowe	Pierre	DENR
Elayne Lande	Pierre	DENR
Dave Teydehn	"	"
Bob Mercer	Pierre	Newspaper
John Childs	Pierre	City of Pierre
Val Keller	Pierre	City of Pierre

ATTENDANCE SHEET
BOARD OF WATER AND NATURAL RESOURCES MEETING

CONDUCTED VIA THE DIGITAL DAKOTA NETWORK

SEPTEMBER 25, 2008

SIOUX FALLS
SD PUBLIC UNIVERSITIES AND RESEARCH CENTER

NAME (PLEASE PRINT)

ADDRESS

REPRESENTING

Ange Hilton

Sioux Falls, SD

SECDG

ATTENDANCE SHEET
BOARD OF WATER AND NATURAL RESOURCES MEETING

CONDUCTED VIA THE DIGITAL DAKOTA NETWORK

26
SEPTEMBER 25, 2008

BROOKINGS
~~SOUTH DAKOTA STATE UNIVERSITY~~
East Dakota WDD

NAME (PLEASE PRINT)

ADDRESS

REPRESENTING

Dale German

SDSU

SDSU

Gregg Carlson

SDSU

SDSU

Pete Jahraw

Pierre

DENR

Jerry L. Siegel

Brookings

EDWDD.

Art Eggers

Sioux Falls

ED. W.D.D.

Delvin DeBoer

Brookings

SDSU

Pat Perny

Burke

So Central WDD

Robert Todd

Wentworth

Interlake Water Quality

James Feeney

Pierre

DENR

Billy Sauer

Sioux Falls

Interlakes Water Quality Dist.

Billy Whelan

Custer

BWNR

Gene Jones Jr.

Sioux Falls

BWNR

Brian Johnson

Watertown

BWNR

Don Rourke

Pierre

BWNR

Nab Lennedy

Brookings

EDWDD

Jay Gilbertson

Brookings

EDWDD

Jerry Myers

Estelline

SD Lakes & Streams Assoc.